

The Financial Times of Indiana

Tax restructuring news from the Office of Governor Frank O'Bannon

Friday, February 1, 2002

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The News in brief...

The Indiana Tax Court has mandated that Indiana change the way it assesses property in time for Hoosiers to receive their 2003 property tax bills. If Indiana's tax system is not restructured and Governor O'Bannon's shelter allowance is not allowed, Hoosier homeowners will receive average property tax increases of 33%.

In the past two weeks, Governor O'Bannon and Lieutenant Governor Kernan's 21st Century Tax Plan has been transformed and combined with efforts to balance Indiana's budget. Both plans are now included in House Bill 1004.

Incentives to protect Hoosiers have been enhanced. Governor O'Bannon is encouraging House members to approve HB 1004 because – even though his plan has been changed – it still protects Hoosier families, and it still allows the state to progress without damaging education. The bill also increases incentives for business, which encourages them to expand and offer more jobs to Hoosiers now and in the future.

HB 1004 has been amended and it is sure to change again. But one thing is definite: it *must* continue through the legislative process. If it is not approved by midnight February 5, lawmakers will lose the opportunity to protect Hoosiers this year – before the Tax Court order must be implemented in 2003. Working Hoosiers – property owners and renters – **should** be protected from skyrocketing property taxes. They **can** be if HB 1004 is approved by the House of Representatives.

How House Bill 1004 Helps Working Hoosiers

- On average, a **homeowner** will see an 11% decrease in property taxes, instead of the average 33% tax increase otherwise slated for 2003. With the addition of a permanent 20% Homestead Credit proposed in House Bill 1004, residential property taxes on average will actually decrease.
- Renters** will see the allowable renter's income tax deduction increase from \$2,000 to \$4,000. Claiming the entire deduction of \$4,000 would reduce an individual's income taxes by \$136.
- *Expansion of the **Earned Income Tax Credit (E.I.T.C.)** will increase the eligibility threshold from \$12,000 to \$15,000, resulting in more working Hoosiers being able to take advantage of this valuable tax credit. In addition, Hoosiers qualifying for a federal Earned Income Tax Credit will get a state credit of 8% if they qualify for the Indiana E.I.T.C.

Just the Facts:

Some Current Specifics of HB 1004

Element of Bill	Current Structure	House Bill 1004
Homestead Credit	10%	20%
Renter's Deduction	\$2,000	\$4,000
*Earned Income Tax Credit (E.I.T.C.)	Income <\$12,000	Income <\$15,000, plus 8% of federal
Sales Tax	5%	6%

*See "How HB 1004 Helps Working Hoosiers" for more info. on E.I.T.C.

Contact Your Legislator

Call: House: 1-800-382-9841, Senate: 1-800-382-9467

Email: <http://www.in.gov/legislative/contact/index.html>

Write: 200 W. Washington Street, Indianapolis, IN 46204-2785

Not sure who your legislator is? Go to Project Vote Smart and find out at: <http://www.vote-smart.org/index.phtml>

Growing new jobs by restructuring taxes

- The current incentives will spur job growth through the **reduction of the inventory tax**. The reduction of the inventory tax will encourage businesses to locate their warehousing and distribution systems to the Crossroads of America.
- Expansion of the **Research & Development tax credits**. The R&D credits will create high-income jobs in the both the construction and technology sectors.
- The **elimination of the corporate gross income tax** for all corporations (except utilities) will enhance the abilities of businesses to reinvest in their company as well as community.

Cutting Education is Not An Option

Schools stand to lose if HB 1004 is not passed, and that is unacceptable to Governor O'Bannon. Restructuring taxes and solving the state budget crisis is crucial for our future working Hoosiers all over Indiana. For example:

In southern Indiana, Scott County School District 2 is estimated to lose about 7 teachers for the 2002-2003 school year while facing a projected shortfall of over \$300,000. Scott County School District 2 serves approximately 2,600 students.

In northern Indiana, it is estimated that Plymouth Community Schools (located in Marshall County), will suffer by losing about 10 teachers for the 2002-2003 school year due to projected budget cuts of nearly \$500,000 for the school corporation. Plymouth Community Schools serves approximately 3,200 students.

Source: *IN School Board Association, IN Association of Public School Superintendents, IN Association of School Business Officers*